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A year of extraordinary performance

Vale reports a stellar performance in 4Q10 and 2010. It is our best ever annual result, characterized by all-time high figures for operating revenues, operating income, operating margin, cash generation and net earnings. Net earnings for 2010 were the greatest ever in the mining industry. At the same time, we allocated the greatest amount of resources in the global mining industry to fund the creation of new platforms for future growth to sustain high performance.

Roger Agnelli, our Chief Executive Officer, has commented: "We are living through our best days. However, given the size and quality of our pipeline of growth projects amid a scenario of sustained global demand growth for our products, I strongly believe that even better days are ahead of us".

2009 was a transition year, marked by weaker but still robust performance. 2010 was a year of strong recovery and striking performance due to the combination of two powerful forces. On the one hand, the initiatives developed by the company in response to the global economic downturn, embracing change and structural transformation, began to bear fruits. On the other hand, the global economy, led by emerging economies, the main drivers of the demand for minerals and metals, showed an above-trend growth, rallying from the depressed levels of late 2008/early 2009.

Our powerful cash generation and rigorous discipline in capital allocation allowed us to overcome once again the challenge posed to growth companies by the classical trilemma involving growth financing, soundness of the balance sheet and meeting shareholders' aspirations for capital return.

Vale has invested US\$ 12.7 billion in maintenance of existing assets and the exploitation of multiple organic growth opportunities. Six projects were delivered in 2010: (a) Additional 20 Mtpy, an iron ore expansion of Carajás operations; (b) TKCSA, a steel slab plant; (c) Bayovar, a phosphate rock mine; (d) Tres Valles, a copper operation; (e) Onça Puma, a ferronickel operation; and (f) Oman, an iron ore pellet operation.

Moreover, we spent US\$ 6.7 billion to finance acquisitions, including fertilizer assets in Brazil. In total, Vale's investment in 2010 reached US\$ 19.4 billion, the largest in the world's mining industry.

Simultaneously, we have returned US\$ 5.0 billion to shareholders, a record amount, being US\$ 3.0 billion of dividend distribution and US\$ 2.0 billion through a share buyback. In addition, an extraordinary dividend of US\$ 1 billion was distributed to shareholders on January 31, 2011.

After spending almost US\$ 25 billion with investments and cash returns to shareholders, we were able to deleverage the balance sheet, ending the year with a total debt/adjusted EBITDA ratio of 1.0x.

In December 2010, our shares were listed for trading on the Main Board of The Stock Exchange of Hong Kong Limited (HKEx). With the listing in one of the most important stock exchanges in Asia, we offer now to investors all over the world the option of trading our shares around the clock, in the Americas, Europe and Asia, consolidating Vale's position as a major global company.

Over the last ten years, Vale created US\$ 154.5 billion of value to shareholders and distributed US\$ 17.4 billion in dividends. Total shareholder return was 38.2% per annum for 2001-2010, the highest among our peers.

As an agent of global sustainability, we invested US\$ 737 million in environmental protection and conservation and US\$ 399 million in social projects, totaling expenditures of US\$ 1.136 billion in corporate social responsibility. We continued to develop technological solutions to reconcile excellence in operational and financial performance with sustainability, creating opportunities for social and economic mobility for the communities where we have our operations.

The main highlights of Vale's performance were:

- Record operating revenues of US\$ 15.2 billion in 4Q10 and US\$ 46.5 billion in 2010.
- Record annual operating income, as measured by adjusted EBIT (earnings before interest and taxes), of US\$ 21.7 billion in 2010. Operating income totaled US\$ 7.2 billion in 4Q10.
- Record operational margin, as measured by adjusted EBIT margin, of 47.9% in 2010, which was the best among peers. In 4Q10, the operational margin reached 48.0%.
- Record cash generation, as measured by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) of US\$ 26.1 billion in 2010 and US\$ 8.9 billion in 4Q10.
- Record annual net earnings of US\$ 17.3 billion, the largest ever in the mining industry, equal to US\$ 3.25 per share on a fully diluted basis. Net earnings of US\$ 5.9 billion in 4Q10, an all-time high figure in a fourth quarter.
- Record capital expenditures – excluding acquisitions – of US\$ 12.7 billion in 2010 and also the largest capex in the global mining industry.
- Record return of capital to shareholders of US\$ 5.0 billion in 2010, through a dividend distribution of US\$ 3.0 billion, equal to US\$ 0.57 per share, and the execution of the share buyback program of US\$ 2.0 billion.
- Total debt/adjusted EBITDA ratio of 1.0x, at the end of 2010, against 2.5x in December 2009.

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More information



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